

PUBLIC DOCUMENT

BEFORE THE U.S. TRADE REPRESENTATIVE

IN

CERTAIN STEEL PRODUCTS

SECTION 203 OF THE TRADE ACT OF 1974

**RESPONSE TO ADJUSTMENT ACTION PROPOSALS ON BEHALF OF
THE SOUTH AFRICAN IRON AND STEEL INSTITUTE (SAISI)**

January 15, 2002

Danielle L. Cannata
Gary N. Horlick
O'MELVENY & MYERS LLP
555 Thirteenth Street, N.W.
Suite 500 West
Washington, D.C. 20004
(202) 383-5300

In response to questions raised by the TPSC, the South African Iron and Steel Institute (SAISI) submits the following:

Summary

In order to avoid the commercial uncertainty of the developing country exemption, South Africa proposes a negotiated quota of 1% of US consumption of each product for which a quantitative safeguard remedy is imposed and immediate termination of all antidumping and countervailing investigations and duties, and suspension agreements against steel products from South Africa.

Base Period for Remedy

Any safeguard remedy should be based on year 2000 data, the most recent representative period for which full data is available.

Product Categories

Any safeguard remedy should be applied to the categories of products identified as the decision of the Commission at Footnote 1 of the Notice on Steel; Import Investigations TA-201-73 at 66 Fed. Reg. 67,304 (Dec. 28, 2001).

Duration of Art. 9.1 Exemption

For those products for which South Africa is entitled to a developing country exemption under Art. 9.1 of the WTO Safeguards Agreement, the exemption should last as long as South Africa remains under 3% of total U.S. imports and under 1% of total U.S. consumption.

The continuation of the exemption for South Africa should not be based on the actions of exporters in other countries – the "1% of consumption" quota ensures that the duration of the safeguard reflects South African exporters' actions, while providing a “backstop” against an import surge which greatly increases the tonnage within the "3% of import" level absent a corresponding rise in U.S. consumption. Furthermore, as explained in our submission of Jan. 4, 2002, the quota South Africa is seeking on most products is actually below 1% of U.S. consumption.

Any change to the exemption should coincide with a review of the entire safeguard measure, which, according to Art. 7.4 of the WTO Safeguards Agreement, must be conducted not later than the mid-term of the measure if the duration of the measure exceeds three years. Any review should be based on the most recent full year of data available, and give shippers time to adjust to any changes.

Conclusion

South Africa has undergone a painful but successful process of rationalization and consolidation and now has some of the most efficient mills in the world. A recent study ranked South African plants in the top 25% in the world in terms of cost. (*See World Steel Dynamics, 2001 Flat Products World Cost Curve, 2001*, which listed South Africa’s flat mills, Saldanha Bay/Duferco, Saldanha Bay/Saldanha Steel, Vanderbijl/Iscor, and Witbank/Highveld as numbers 41, 44, 49, and 70 respectively out of a total world plant population of 303.)

The commercial uncertainty inherent in the duration of the Art. 9.1 exemption leads South Africa to propose a more stable overall negotiated solution. South Africa would be willing to forego its rights under Art. 9.1 of the Safeguards Agreement in exchange for a quota of 1% of

US consumption of each carbon and alloy product for which a quantitative safeguard remedy is imposed and immediate termination of all antidumping and countervailing investigations and duties, and suspension agreements against steel products from South Africa.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Danielle Cannata", with a long horizontal flourish extending to the right.

Danielle L. Cannata
Gary N. Horlick
O'MELVENY & MYERS LLP
555 Thirteenth Street, N.W.
Suite 500 West
Washington, D.C. 20004
(202) 383-5300

Counsel to the South African Iron and Steel Institute